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capital improvements program

town of
matthews
north carolina

ABSTRACT

TITLE: Capital Improvements Program
Matthews, NC

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Matthews, NC

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ABSTRACT: This document outlines a five year capital
improvement program. Recent financial conditions
and trends are evaluated and projections of
revenues and operating expenditures are developed
based on that analysis. These figures give a
rough approximation of the amount of revenue which
will be available for capital outlays during the
fiscal years 1979-80 through 1983-84. Finally,
the document includes a schedule of public improve-
ments to be made over that time period. The capital
improvements were identified and scheduled according
to a number of criteria including funding availability,
urgency, and relationship to adopted development
goals and policies. The CIP was prepared working
closely with the Planning Board and the Town
Commission.

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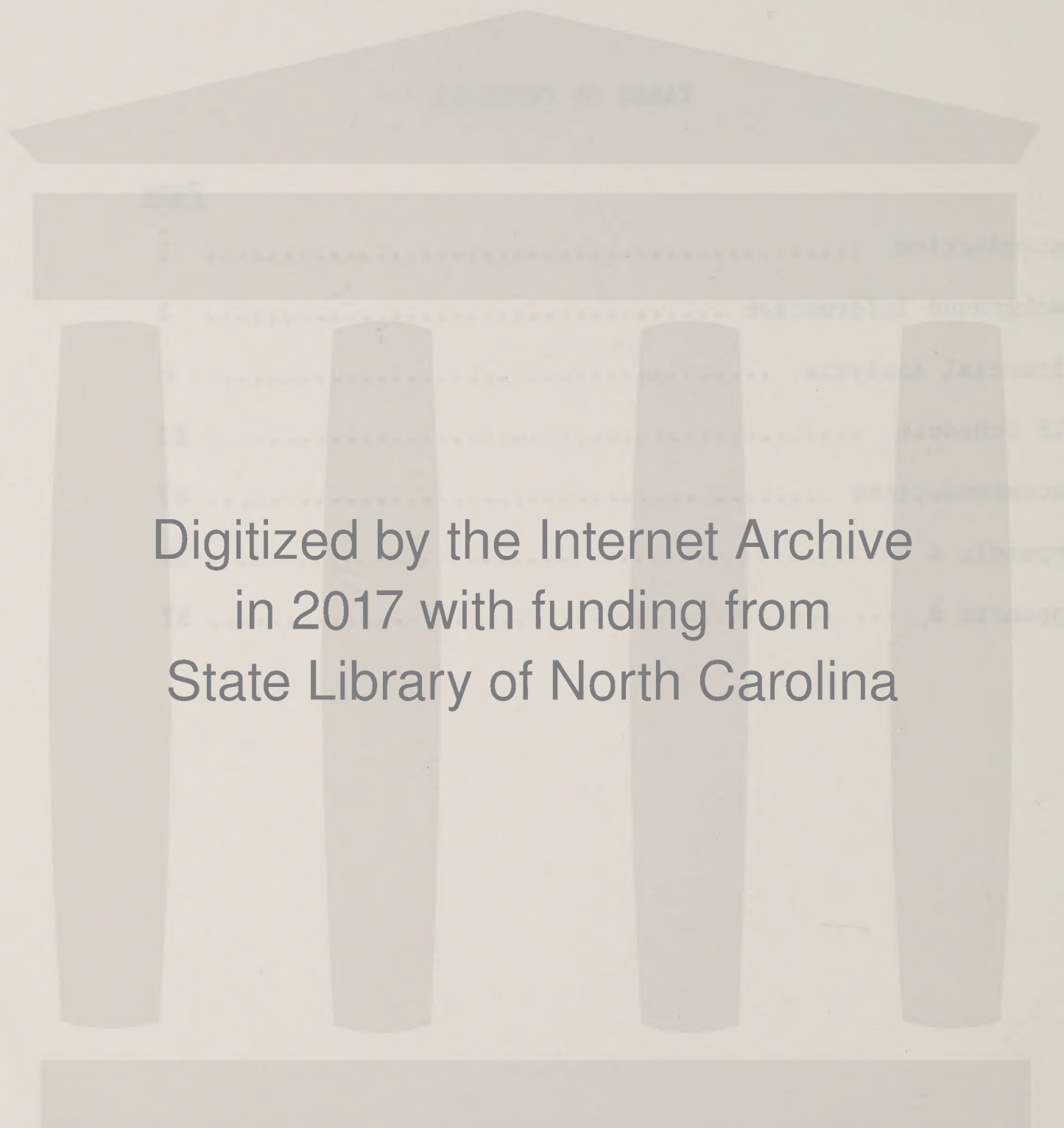
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Centralina Council of Governments
March 29, 1979

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I

INTRODUCTION

Capital improvements programming is a process in which the long range capital needs of a municipality can be comprehensively identified and evaluated. The capital improvements program (CIP) provides an exhaustive listing of physical improvements and pieces of equipment which are needed to carry out a program of municipal services over an extended period of time.

By conducting a CIP, municipal officials and citizens can obtain a more thorough understanding of the physical improvement needs associated with desired patterns of growth. Indeed, the primary purpose of this program is to provide a clear understanding of long-range needs and resources in order to schedule and achieve more efficient service through economical and planned spending of public funds.

The CIP provides the vital link between the comprehensive plan and the actual construction of public improvements. Whereas, the plan may state what improvements should be built and where, the CIP states when they should be built and at what cost. Thus, it is a scheduling and financing plan closely linked to development and programmatic goals and the financial resources of the municipality.

A CIP has three fundamental components: financial analysis, project identification, and scheduling and prioritization. A comprehensive capital facilities inventory and assessment is also necessary as a background study. The CIP process begins with a thorough examination of the Town's financial condition. Once this is completed, projects previously identified can be scheduled according to need, urgency and availability of funding.

II BACKGROUND INFORMATION

This CIP has been prepared for Matthews, North Carolina, a town which is increasingly influenced by the explosive growth of the Charlotte Metropolitan area. This document and its contents can provide an overall framework within which Matthews can more effectively manage its growth and public investments.

Since this represents the first attempt by Matthews at a CIP, this document will include more discussion of methodology than one might normally expect to find in a CIP document. The intent of this report is to document not only the CIP but also the process so that public officials and citizens of Matthews have a framework with which to work in the future.

It should be understood by all involved that capital improvements programming is an annual activity to be carried out in conjunction with the development of the Operating Budget. Through annual updating the CIP can be adjusted to major shifts in policy, emergencies and other development and programmatic opportunities.

The Matthews CIP has been developed for a five year time frame. The first year constitutes the Capital Budget. The Capital Budget represents a specific appropriation by the legislative body against which capital outlays are made. As each capital budget year expires, the next year's schedule of the five year program becomes the capital budget and the program is extended another year into the future.

What is a Capital Improvement?

In identifying capital projects for any municipality, it is important to clearly define capital improvements. Generally, capital improvements are major projects requiring the expenditure of public funds over and above operating

expenses for the purchase, construction or replacement of physical assets of the community.

Capital items in Matthews are defined and classified in five categories below:

- 1) Any acquisition of land for a public purpose;
- 2) Any construction of a significant facility, ie., a building, or playfield, or an addition to an existing facility;
- 3) The non-recurring rehabilitation or major repair of all or part of a facility providing the cost exceeds \$500;
- 4) Any specific engineering, architectural study or design work relating to an individual project; or
- 5) Any purchase of equipment providing the cost exceeds \$500 and the estimated useful life of the item exceeds three years.

Study Objectives

The CIP process initiated here can be of invaluable assistance to the town and its decision-makers as they guide the town through this era of rapid urban encroachment. The primary objective of this first year CIP has been to familiarize town officials with capital improvements programming. Other objectives are those which are associated with the process on a long term basis:

- 1) To examine the town's past and present economic base and overall public financial system,
- 2) From the above to determine an approximate level of funds available for capital outlays in the future, and
- 3) To develop a schedule of projects based upon available resources and town policies and goals.

These objectives provide a very general framework within which the activities of the CIP were executed. In addition, this effort is also intended to generate information which will lead to more informed decisions regarding the future of the Matthews' sewer and water system and future annexations.

Governmental Structure of Matthews

The governmental structure of Matthews deviates from that in which capital improvement programming is normally conducted. This deviation has necessitated that a modified CIP procedure be designed for Matthews. This is due to its small size and minimal involvement in the provision of municipal services, and the fact that full-time staff support for these various services is either small or non-existent.

In Matthews the functions of department heads are fulfilled by members of the Board of Commissioners. These persons are in most cases responsible for the day to day operational decision-making for these departmental services.

The municipal services in which Matthews is directly involved are categorized into five departments: water and sewer, streets and lighting, police, administration, and sanitation. All of these departments are or have been involved in capital spending except sanitation which is provided on a contractual basis with a private firm. Fire and rescue squad services are provided by volunteer organizations to which the town makes operational contributions. Through the same type of arrangement with various community groups, the Town promotes recreational programs. A more detailed discussion of pertinent departments and the nature and level of their services may be found in Section IV.

Participants in the CIP Process

Due to the form of municipal administration employed in Matthews the number of participants in the formulation stages of this process have been greatly reduced. Since the Town Commissioners serve jointly as administrators

and legislators they have a dual role in the CIP process. This effort has relied heavily on the Commissioners not only as the unit with responsibility for adoption, modification or rejection of the CIP (legislative function), but also individually as initiators of project requests for their respective departments (administrative function). For this reason, involvement of these officials was increased beyond that of standard practice. Normally, the legislative body has formal input only in the latter stages of the formulation process.

The Planning Board has also participated in a dual capacity as a planning review board and initiator of project requests. In the former role the Planning Board reviewed the CIP to determine its consistency with locally adopted goals and policies.

Thus, the projects in this document were identified after an investigation as to the need and urgency, by the person or persons most directly associated with the particular project. Supporting technical information was supplied by the Town Engineer, Town Clerk and Centralina Council of Governments.

The remainder of this document is divided into three sections. The financial analysis section discusses the past and possible future financial status of Matthews. General government and sewer and water revenues and expenditures are evaluated and projected. In addition, outstanding debt and capacity to fund future projects are examined.

This section is followed by a listing of projects by program and department. Detailed descriptions of each project along with departmental and annual summaries are included.

Finally, the last section discusses recommendations related to this CIP. This section is supported by an appendix which outlines a suggested CIP procedure for future years.

III FINANCIAL ANALYSIS

The foundation of any successful CIP is a detailed financial analysis. The ability of Matthews to pay for proposed capital expenditures must be examined prior to the final selection and scheduling of capital outlays. This section seeks to accomplish this by determining approximate levels of revenue available for capital outlays during the CIP period.

The financial analysis was divided into three components:

- 1) Examination of past revenues and expenditures;
- 2) Examination of outstanding debt and fiscal policies of Matthews;
- 3) Projection of revenues and expenditures.

Following is a summary of the results of this analysis. The period of analysis covered fiscal years 1972-1973 through 1977-1978. A more detailed discussion of the analysis is included in Appendix A.

General Fund Revenues and Expenditures

The overall annual growth rate experienced by Matthews general governmental revenues during the study period was 23.5% per year. Revenues began the period at \$99,760 and rose to \$153,314 by 1977-78. Much of this growth can be attributed to a general expansion of the Matthews residential and commercial tax base, particularly strong industrial growth (largely attributed to annexation) and the 1975 county wide property reevaluation.

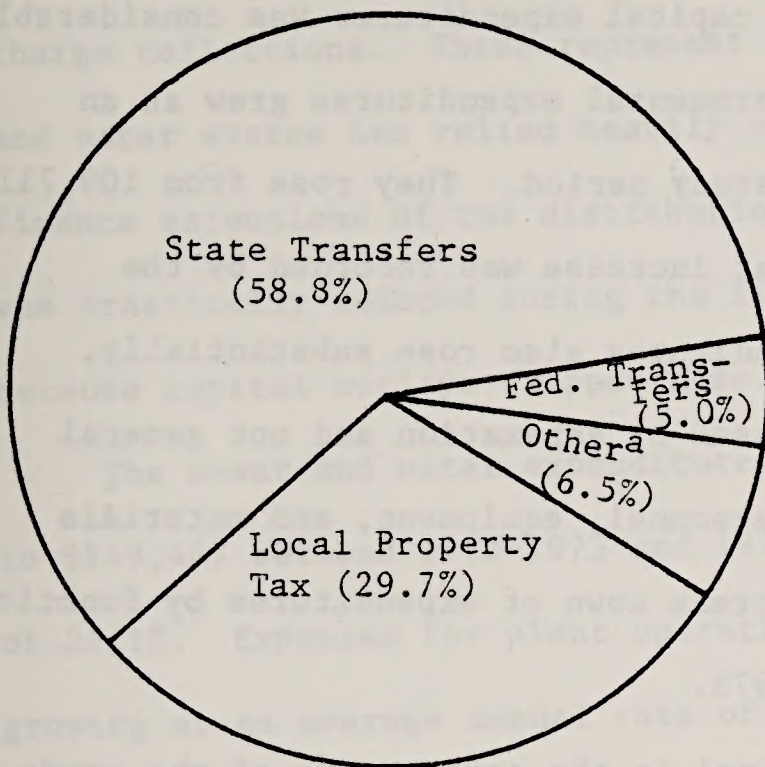
Not surprisingly, ad valorem property tax levies accounted for much of the recent gains. Consequently, locally generated revenues recorded higher gains than either state or federal intergovernmental transfers. This trend is an exception to the average nationwide experience in which cities and towns have increasingly relied on state and federal funds. Figure 1 graphically illustrates the changes in revenues by governmental source.

All revenue sources experienced healthy gains during the study period except

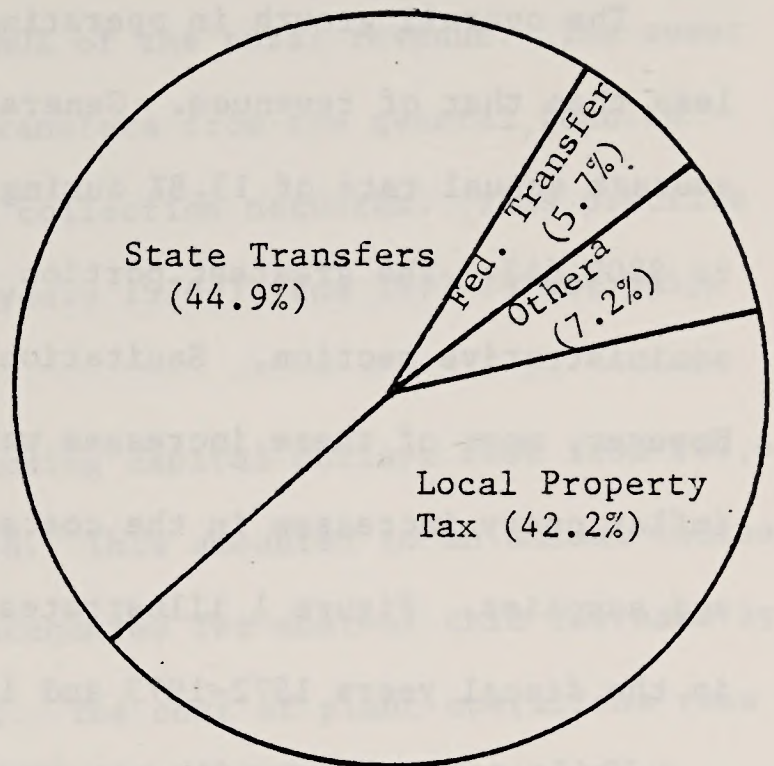
FIG.1

GENERAL FUND REVENUE AND EXPENDITURES PATTERNS

REVENUES

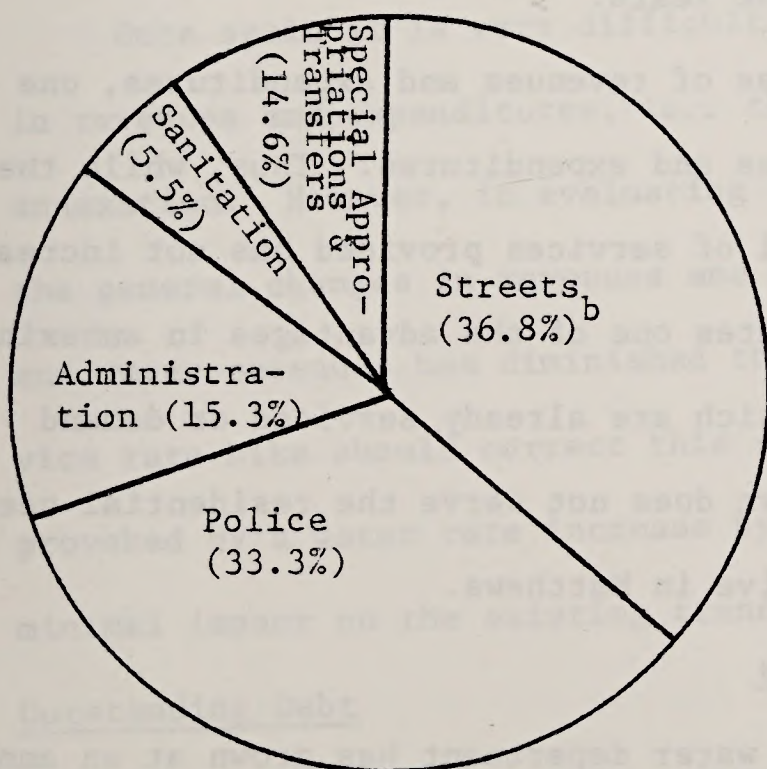


FISCAL YEAR 1972-73

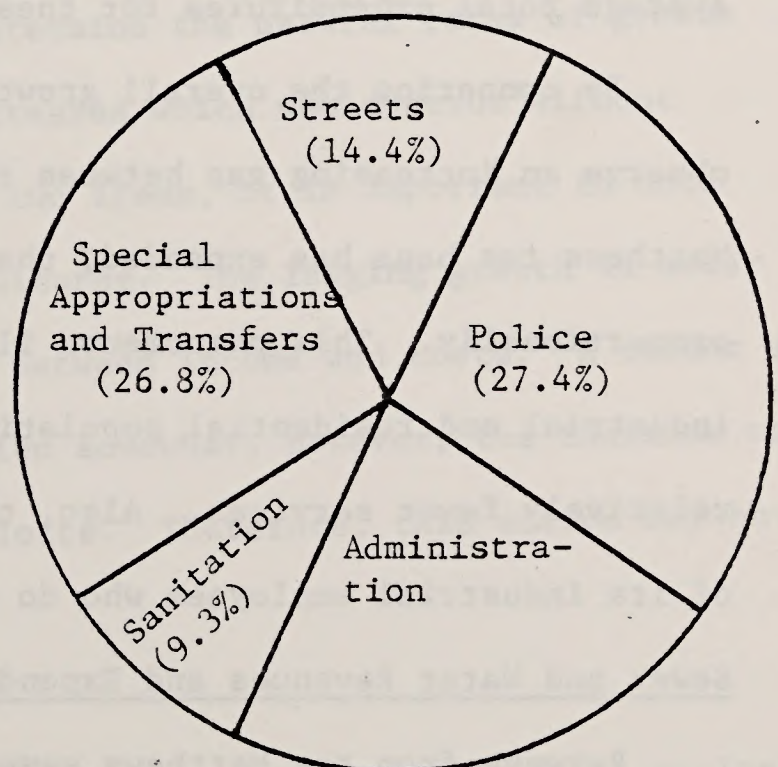


FISCAL YEAR 1977-78

EXPENDITURES



FISCAL YEAR 1972-73



FISCAL YEAR 1977-78

^aOther-Miscellaneous fines, interest on investments, etc.

^b55% of this figure includes an unusually large expenditure for street repairs.

the Alcoholic Beverage Control allocation to Matthews. This source of revenue declined over five years by 9%. Most intergovernmental transfers which are distributed using a population factor increased dramatically. This occurred after the annexation of 1974.

The overall growth in operating and capital expenditures was considerably less than that of revenues. General governmental expenditures grew at an average annual rate of 13.8% during the study period. They rose from 109,711 to \$209,642. The greatest portion of that increase was recorded by the administrative section. Sanitation expenditures also rose substantially. However, most of these increases were caused by annexation and not general inflationary increases in the costs of personnel, equipment, and materials and supplies. Figure 1 illustrates the break down of expenditures by function in the fiscal years 1972-1973 and 1977-1978.

While capital expenditures were minimal in the early years of the study period, they increased substantially after fiscal year 1974-1975. The average annual capital outlay for general governmental services (including sewer and water) was \$27,500. However, some rather large outlays in the fiscal year 1977-1978 distort this figure considerably. This represents about 15% of the average total expenditures for these three years.

By comparing the overall growth rates of revenues and expenditures, one can observe an increasing gap between revenues and expenditures. Thus, while the Matthews tax base has expanded, the level of services provided has not increased proportionally. This phenomenon illustrates one of the advantages in annexing industrial and residential populations which are already serviced or demand relatively fewer services. Also, the Town does not serve the residential needs of its industrial employees who do not live in Matthews.

Sewer and Water Revenues and Expenditures

Revenue from the Matthews sewer and water department has grown at an annual

average rate of 15.5% per year from \$77,675 to \$170,267. This increase occurred with a constant service charge. Only recently, during the present fiscal year, has the Town Board of Commissioners authorized a service rate increase.

The primary source of income to the sewer and water fund is the service charge collections. These represent over 80% of the total revenue. The sewer and water system has relied heavily upon transfers from the general fund to finance extensions of the distribution and collection networks. This practice was drastically reduced during the fiscal years 1976-77 and 1977-78 but only because capital outlays dropped also.

The sewer and water expenditures excluding capital outlays rose from \$47,683 to \$149,447 between 1972-1973 and 1977-1978. This amounted to an annual increase of 21.1%. Expenses for plant operations accounted for most of this increase by growing at an average annual rate of 25.8%. The cost of plant operations rose from 73% of total expenses in the fiscal year 1972-1973 to 88% in 1977-1978.

The Town spent an average of almost \$18,300 per year during the study period on lines and equipment. 51% of these capital outlays were financed through contributions from the general fund. The pattern of spending on these items was very erratic throughout the study period.

Once again it is very difficult to determine the natural rates of growth in revenues and expenditures, ie., the increases which would occur without annexation. However, in evaluating these two items, it is important to note the general changes in revenues and expenditures. The lagging growth in sewer and water revenues has diminished the gap between income and costs. A recent service rate hike should correct this situation somewhat, however, the increase was provoked by a water rate increase by Charlotte. Therefore, this action may have a minimal impact on the existing trend.

Outstanding Debt

Outstanding debt usually warrants special treatment in a financial analysis.

Normally these evaluations are conducted to determine the legally defined debt limit and the gap between that and outstanding debt.

Matthews has relatively few financial obligations of this nature because of a strict adherence to a pay-as-you-go financing philosophy. Currently, the town has only \$20,000 of outstanding debt in the form of two general obligation bonds.

The statutory debt limit in North Carolina is defined as 8% of a jurisdiction's appraised property value.¹ This limit is so high that bond market conditions usually define the upper limit at a considerably lower level. According to the 8% rule, Matthews has a general obligation debt incurring capacity of approximately \$3,044,000. Thus, with an outstanding principal balance of \$20,000 as of June 30, 1979, the Town can legally incur \$3,024,000 in general obligation debt.

¹ N. C. Gen. Stat. Sec. 159-55.

Revenues and Expenditure Projection

Having analyzed recent spending patterns, a more accurate projection of future revenues available for capital improvements can be made. The projections reported in this document are based on growth within the existing geographic boundaries of Matthews, i.e. they do not reflect any annexation. Therefore, the growth rates are considerably less than those of recent years. The influence of any annexation upon the Matthews budget may be determined by adding revenues and expenditures as reported in the Matthews Annexation Study, 1978.

In order to increase the value of these projections and to allow for a margin of error, two scenarios were developed: a moderate growth and a rapid growth scenario. The moderate growth scenario was developed from the premise that population and tax base growth in Matthews is nearing a peak and will drop off slightly over the CIP period. The high range scenario was based on the assumption that growth in Matthews will maintain a pace slightly higher than that experienced in the past five years.

A word of caution should be interjected at this point. These projections are based on assumptions related to past growth in revenue and operating expenditures. They should be used as rough indicators of the future financial condition of Matthews if recent patterns continue. There are a number of factors which are capable of causing large discrepancies between these projections and actual revenues. For example, a national or statewide economic recession is not incorporated into these calculations. A recession could alter these figures by as much as 10%.

General Fund: Revenue

The following revenue projections were prepared assuming that the present property tax rate of \$0.30 per \$100 valuation will remain in effect throughout the CIP period. After examining some of the major factors used in intergovernmental transfer distribution formulas and reviewing patterns of growth/decline discussed earlier, revenue projections were made.

Overall revenue growth in the two scenarios ranges from 4.0% to 6.2%. Locally generated revenues should increase by as much as 2.8% to 5.0% per year during the five year period. State shared funds should grow by 5.1% to 7.3% per year. Federal general revenue sharing increases in the scenarios from 3.4% to 5.7%.

It should be noted that these figures do not reflect any property reevaluation which legally must occur by 1983. With real estate property values appreciating so rapidly in the Matthews area, reevaluation could have a dramatic affect. It is estimated that at the current tax rate another \$70,000 to \$80,000 could be added to projected property tax revenues.

The results of the general governmental revenue projections are listed below in Tables 1 and 2 and illustrated graphically in Figure 2.

General Fund: Operating Expenditures

Operating expenditures are considerably more difficult to project because they rarely increase in small increments closely related to population growth. For instance, personnel and major equipment additions occur in large increments rather than in small increments closely related to population growth.

In these projections the existing staff resources are assumed to be adequate for serving the population within existing boundaries. Only in the police department was an additional full-time position included. This addition was included in the fiscal year 1980-1981.

In general, all departments should begin to experience increased operational spending. The overall rate of these increases should range from 10.0% to 11.3% per year. This reverses the trend of the period between 1972-1973 and 1977-1978 when revenues grew faster than expenditures. Inflationary pressures and certain costs related to servicing a larger population base will be the prime catalysts of this growth.

Table 1
PROJECTED GENERAL GOVERNMENTAL REVENUES
(Low Scenario)

Fiscal Year	Property Tax	Revenue Sharing	Utility		Beer & Wine Tax	Powell Bill	Sales Tax	ABC Revenues	Misc.	TOTAL
			Franchise Tax	Intangible Prop. Tax						
1979-1980	\$172,400	\$19,000	\$82,000	\$5,900	\$5,900	\$22,100	\$22,500	\$28,100	\$23,100	\$381,000
1980-1981	179,300	19,700a	89,000	6,400	6,300	23,700	24,500	28,100	24,300	401,300
1981-1982	184,600	20,400	96,000	6,900	6,800	25,100	26,400	28,100	25,400	417,700
1982-1983	188,300	21,000	103,300	7,500	7,300	26,400	28,400	28,100	26,800	437,100
1983-1984	192,100	21,700	111,000	8,100	7,800	27,900	30,600	28,100	28,100	445,400

a. Continued availability of General Revenue Sharing funds depends upon Congressional reauthorization of this program.

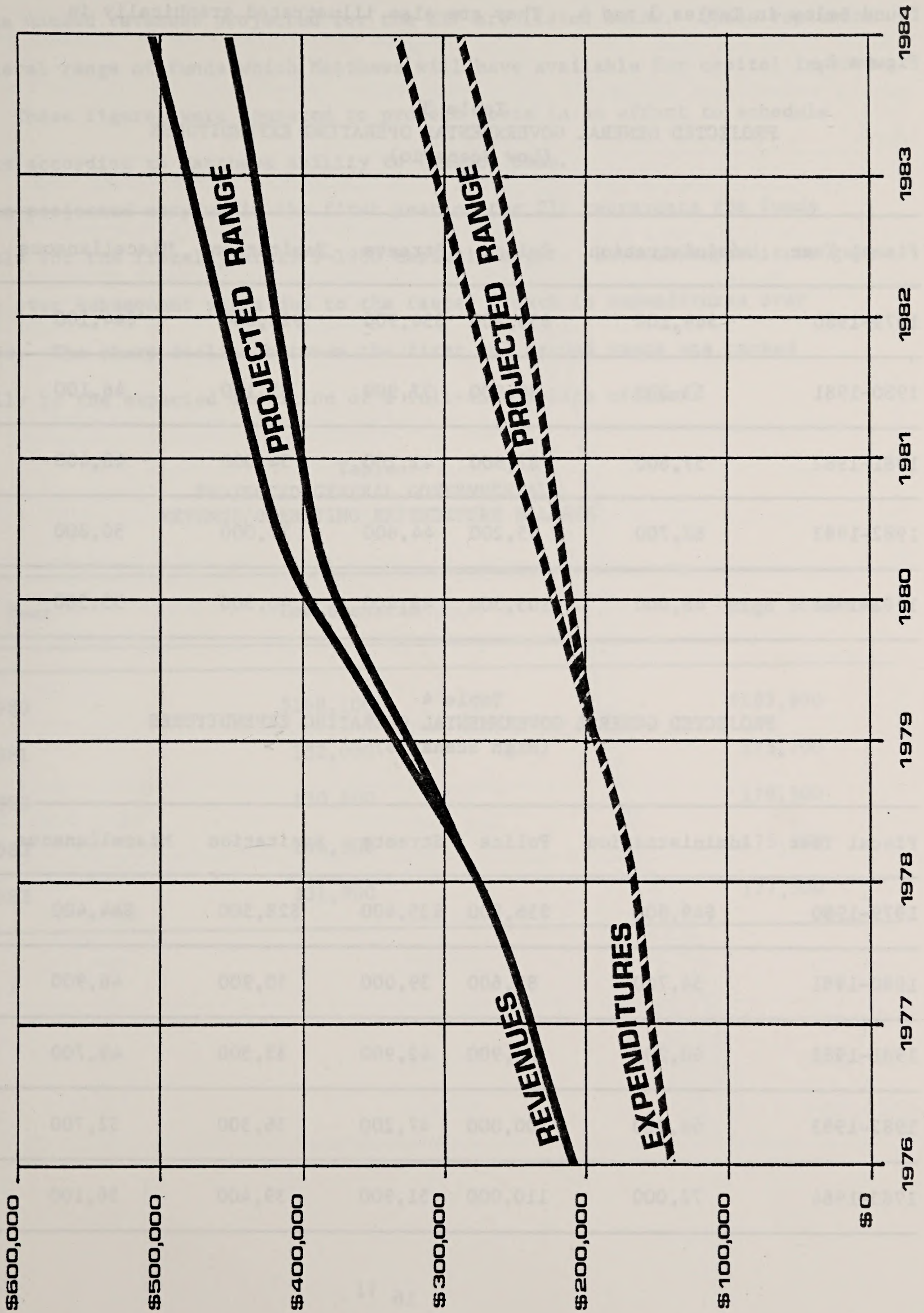
Table 2
PROJECTED GENERAL GOVERNMENTAL REVENUES
(High Scenario)

Fiscal Year	Property Tax	Revenue Sharing	Utility Franchise Tax	Intangible Prop. Tax	Beer & Wine Tax	Powell Bill	Sales Tax	ABC Revenues	Misc.	TOTAL
1979-1980	\$177,200	\$21,300	\$84,200	\$6,800	\$6,600	\$25,600	\$25,300	\$28,100	\$23,700	\$398,900
1980-1981	189,500	22,700 ^a	93,500	7,700	7,100	27,700	28,200	28,100	25,300	429,800
1981-1982	199,000	23,900	101,400	8,300	7,700	29,800	30,600	28,100	26,700	455,500
1982-1983	201,000	25,200	109,600	9,100	8,300	32,000	33,000	28,100	28,400	480,700
1983-1984	215,300	26,600	118,340	10,100	9,000	34,400	35,700	28,100	30,200	526,700

a. Continued availability of General Revenue Sharing funds depends upon congressional reauthorization of the program.

FIG. 2

GENERAL GOVERNMENTAL REVENUES AND EXPENDITURES: TRENDS AND PROJECTIONS



The results of the general fund operating expenditures projections are found below in Tables 3 and 4. They are also illustrated graphically in Figure 2.

Table 3
PROJECTED GENERAL GOVERNMENTAL OPERATING EXPENDITURES
(Low Scenario)

Fiscal Year	Administration	Police	Streets	Sanitation	Miscellaneous	Total
1979-1980	\$49,100	\$56,200	\$34,900	\$28,600	\$44,100	\$212,900
1980-1981	53,300	80,900	37,900	31,100	46,100	249,300
1981-1982	57,800	87,800	41,100	34,000	48,400	269,100
1982-1983	62,700	95,200	44,600	37,000	50,800	290,300
1983-1984	68,000	103,300	48,400	40,300	53,500	313,500

Table 4
PROJECTED GENERAL GOVERNMENTAL OPERATING EXPENDITURES
(High Scenario)

Fiscal Year	Administration	Police	Streets	Sanitation	Miscellaneous	Total
1979-1980	\$49,800	\$56,800	\$35,400	\$28,500	\$44,400	\$214,900
1980-1981	54,700	82,600	39,000	30,900	46,900	254,100
1981-1982	60,200	90,900	42,900	33,500	49,700	277,200
1982-1983	66,200	100,000	47,200	36,300	52,700	302,400
1983-1984	72,000	110,000	51,900	39,400	56,100	330,200

General Fund: Revenue/Expenditure Balance

The unused revenues projected for the CIP are listed below. These represent the general range of funds which Matthews will have available for capital improvements. These figures were compared to project costs in an effort to schedule projects according to Matthews ability to finance them.

The projected surplus in the first year of the CIP represents the funds available for the fiscal year 1979-1980 capital budget. Revenue/expenditure gaps decline over subsequent years due to the faster growth in expenditures over revenues. The sharp decline between the first and second years was caused primarily by the expected addition of a full-time police officer.

Table 5
PROJECTED GENERAL GOVERNMENTAL
REVENUE/OPERATING EXPENDITURE BALANCE

Fiscal Year	Low Scenario	-	High Scenario
1979-1980	\$168,100		\$183,900
1980-1981	152,000		175,700
1981-1982	150,600		178,300
1982-1983	146,800		175,300
1984-1985	131,900		177,500

Sewer and Water Fund: Revenues

Sewer and water revenues, as shown in Table 6, are expected to increase by 8.2% to 11.6% per year. Most of this increase should come from an increase in service receipts as individual consumption rates increase and new customers are added.

The revenue projections were based on an assumption that existing fund investments will remain constant and that accrued interest will rise proportionally. However, should investments be liquidated, the interest foregone represents only a small portion of the total revenue resulting in an insignificant impact.

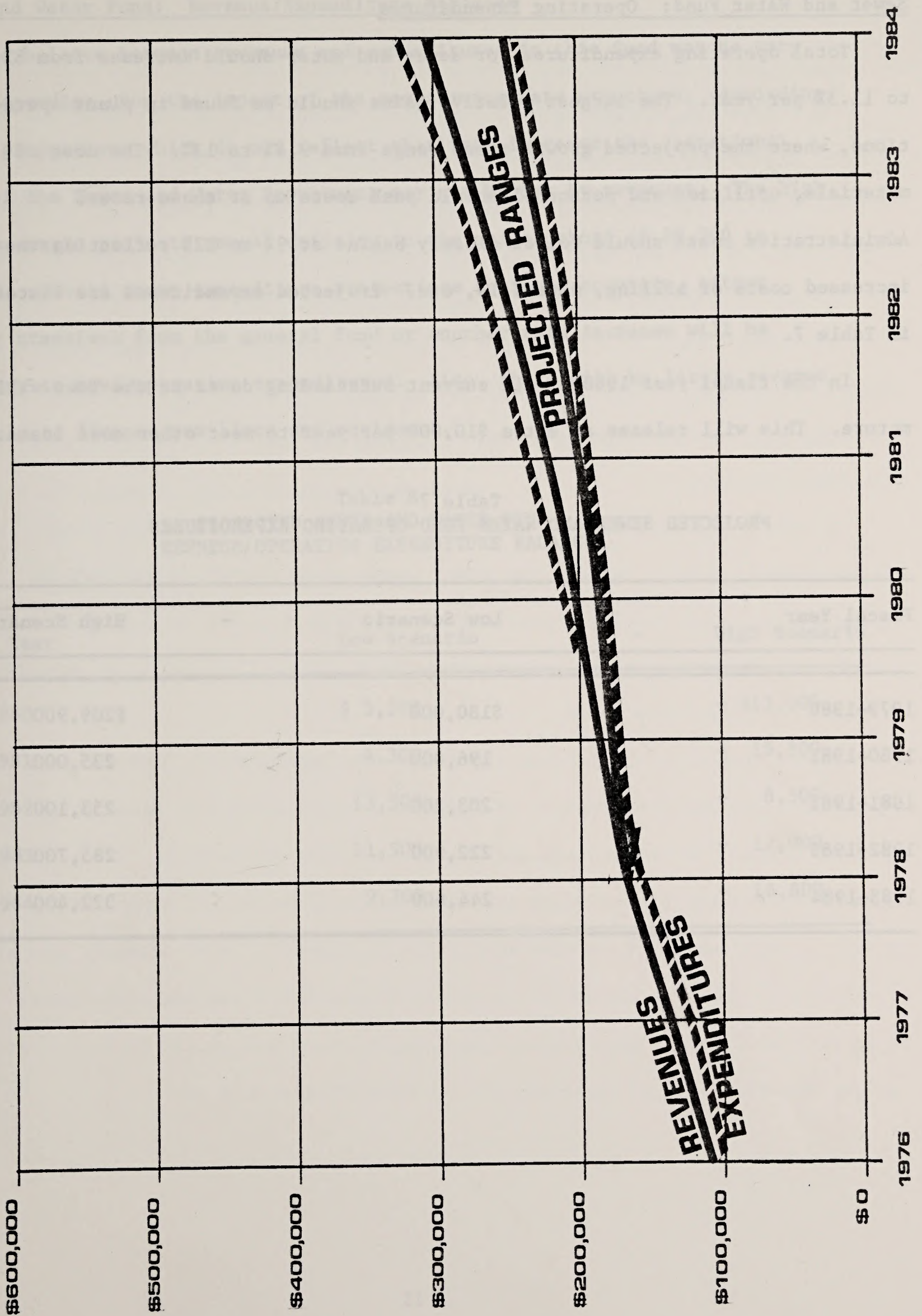
These projections do not reflect the recent rate increase. The rate increase was designed to cover the increased unit cost of purchasing water from Charlotte-Mecklenburg Utility Department. Consequently, the rate increase should not be relied upon to accomodate other increased operating costs. A more detailed study would be required to accurately estimate the impact of this action on revenues.

Table 6
PROJECTED SEWER AND WATER FUND REVENUES

Fiscal Year	Low Scenario	-	High Scenario
1979-1980	\$185,200		\$196,900
1980-1981	200,300		219,700
1981-1982	216,700		244,600
1982-1983	234,400		273,700
1983-1984	253,800		305,600

FIG. 3

SEWER AND WATER REVENUES AND EXPENDITURES: TRENDS AND PROJECTIONS



Sewer and Water Fund: Operating Expenditures

Total operating expenditures for sewer and water should increase from 8% to 11.3% per year. The largest relative gains should be found in plant operations, where the projected growth rates range from 9.8% to 13%. The cost of materials, utilities and personnel should push costs up at those rates. Administrative costs should follow closely behind at 9% to 12% reflecting the increased costs of billing, materials, etc. Projected expenditures are listed in Table 7.

In the fiscal year 1980-81 all current outstanding debts to the Town will mature. This will release an extra \$10,000 per year to meet other cost items.

Table 7
PROJECTED SEWER AND WATER FUND OPERATING EXPENDITURES

Fiscal Year	Low Scenario	-	High Scenario
1979-1980	\$180,000		\$209,900
1980-1981	196,000		235,000
1981-1982	203,200		253,100
1982-1983	222,900		285,700
1983-1984	244,600		322,400

Sewer and Water Fund: Revenue/Expenditure Balances

The balance between revenues and expenditures in this fund may be very close depending upon the impact of the new service rate structure. According to the projections which do not reflect that rate increase the operational costs of the Sewer and Water Department may not be met by revenues. The high range scenario projects annual deficits in the neighborhood of \$8,500 to \$16,800. Should these expenditure projections be found accurate, either further transfers from the general fund or another rate increase will be necessary to meet operating expenditures. Also, there will be little revenue available to finance new lines and equipment.

Table 8
PROJECTED SEWER AND WATER FUND
REVENUE/OPERATING EXPENDITURE BALANCE

Fiscal Year	Low Scenario	-	High Scenario
1979-1980	\$ 5,200		- \$13,000
1980-1981	4,300		- 15,300
1981-1982	13,500		- 8,500
1982-1983	11,500		- 12,000
1983-1984	9,200		- 16,800

IV CIP SCHEDULE

The purpose of this section of the CIP document is to record the description and scheduling of projects, financing techniques available and project costs. As was stated in Section II, much of the information reported in this section was supplied by various town officials - Town Commissioners, Planning and Zoning Board members, the Town Engineer and the Town Clerk.

This phase began with an effort to develop a list of potential public projects in Matthews. Project requests were sought primarily from the Departmental Commissioners, but were supplemented with some from other sources. Project costs were then computed.

An effort was also made to determine the impact of any capital project on the operating budget. In very few cases there was a significant effect on either the existing level of operating expenditures in terms of additional personnel requirements or annual maintenance costs. Potential annual or non-recurring revenues were also considered.

After assembling the information above, the Departmental Commissioners developed a preliminary schedule of projects. This effort was based primarily upon the urgency of the project and the availability of funding. The latter criteria according to previously discussed projections is not a serious constraint except in the funding of service extensions to annexed areas. However, one of the objectives of this process is to recommend alternative financing techniques. These will be found on each project description sheet and should provide some insight for the Board of Commissioners in developing such a study.

The format of this section is divided into two sections. The first section summarizes all projects by year and program. The second section includes more detailed programmatic and project descriptions.

SCHEDULE I
CAPITAL IMPROVEMENT PROGRAM SUMMARY
(FINANCED PROGRAM)

PROGRAM	1979 1980	1980 1981	1981 1982	1982 1983	1983 1984	TOTAL
<u>Protection of Persons and Property</u>						
Public Safety Equipment		\$ 9,000		\$10,000		\$ 19,000
Total	0	\$ 9,000	0	\$10,000	0	\$19,000
<u>Environmental Health and Protection</u>						
Water & Sewer System	\$710,000				\$150,000	\$860,000
Flood Control & Drainage	1,000	\$ 1,000	\$ 1,000	\$ 1,000	1,000	5,000
Total	\$711,000	\$ 1,000	\$ 1,000	\$ 1,000	\$151,000	\$865,000
<u>Transportation</u>						
Street Improvements & Related Facilities				\$ 1,500		\$ 1,500
Right of Way					\$ 50,000	50,000
Sidewalks	\$ 14,900					14,900
Total	\$ 14,900	0	0	\$ 1,500	\$ 50,000	\$ 66,400
<u>Leisure Opportunities</u>						
Recreational Facilities	\$ 13,805					\$ 13,805
Total	\$ 13,805	0	0	0	0	\$ 13,805
<u>Policy Formulation and Administration</u>						
Governmental Bldgs. & Land				\$50,000		\$ 50,000
Total	0	0	0	\$50,000	0	\$ 50,000
<u>TOTAL PROGRAM COSTS</u>	<u>\$739,705</u>	<u>\$10,000</u>	<u>\$ 1,000</u>	<u>\$62,500</u>	<u>\$ 51,000</u>	<u>\$974,205</u>
<u>ANNUAL APPROPRIATIONS:</u>						
Current Revenues ^a	\$ 92,330	\$74,166	\$65,166	\$76,668	\$ 48,500	\$356,830
Bonded Indebtedness	32,200	31,800	21,000	21,000	21,000	127,000
	<u>\$124,530</u>	<u>\$105,966</u>	<u>\$86,166</u>	<u>\$97,668</u>	<u>\$ 64,500</u>	<u>\$483,830</u>

SCHEDULE II
CAPITAL IMPROVEMENT PROGRAM SUMMARY
(UNFINANCED PROGRAM)

PROGRAM	1979 1980	1980 1981	1981 1982	1982 1983	1983 1984	TOTAL
<u>Environmental Health</u>						
<u>Protection</u>						
Water & Sewer System		\$378,200		\$160,800	\$929,960	\$1,468,960
Annexation Areas	0	\$378,200	0	\$160,800	\$929,960	\$1,468,960

^aThese figures include funds which should be deposited in a capital reserve fund for the Four Mile Creek Outfall, rights-of-way and the expansion of the Town Hall. The amount of these appropriations can be found on each project description sheet. The reserve fund is discussed in further detail in the Recommendation Section.

PROGRAM: Public Safety

GOAL: Protection of Persons and Property in Matthews

CONTRIBUTING DEPARTMENTS:

Police Department - With four police officers and three patrol cars the Matthews Police Department provides 24 hour protection. The Police Department occupies office and garage space in the Town Hall. A small short-term detainment facility is also maintained there.

PROJECTS:

(I-1) Police Car

(II-2) Police Car

I-1		Protection of Persons and Property	TOTAL	FIVE YEAR PROGRAM				
				1979 — 80	1980 — 81	1981 — 82	1982 — 83	1983 — 84
PROJECT <u>Public Safety Equipment</u> - Purchase of a police patrol car as scheduled on the two year replacement program.								
COSTS	PLANNING							
	LAND							
	CONSTRUCTION							
	EQUIPMENT	\$9,000		\$9,000				
	TOTAL	\$9,000		\$9,000				
FUNDS	GENERAL REVENUES	\$9,000		\$9,000				
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							
COMMENTS: The above cost reflects the estimated cost of a new vehicle and radio equipment. Should the Town decide to purchase used State Police vehicles a con- siderable savings could be achieved.								

I-2	Protection of Persons and Property	TOTAL	FIVE YEAR PROGRAM				
			1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Public Safety Equipment - Purchase of a police patrol car as scheduled on the two year replacement program.							
COSTS	PLANNING						
	LAND						
	CONSTRUCTION						
	EQUIPMENT	\$10,000				\$10,000	
	TOTAL	\$10,000				\$10,000	
FUNDS	GENERAL REVENUES	\$10,000				\$10,000	
	BONDS						
	STATE & FED. AID						
	SPECIFIC RESERVES						
	SERVICE CHARGES						
COMMENTS Same as I-1							

PROGRAM:

Environmental Health and Protection

GOAL: Provision of a clean, healthy environment in which residents of Matthews can live free from the dangers of pollution or contamination from solid, liquid, or gaseous waste.

CONTRIBUTING DEPARTMENTS:

Sewer and Water Department - This department operates a 300,000 g.p.d. sewage treatment facility along with a sewage collection and water distribution system.

Street Department - This department is responsible for the maintenance and construction of storm drainage systems

PROJECTS:

(II-1) McAlpine Outfall Sewage Collection System Connection

(II-2) Water Distribution System Loop Line

(II-3) Four Mile Run Outfall Sewage Connection

(II-4) Storm Drainage Projects

II-1		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT: Sewage Collection System Connection with McAlpine Outfall (Charlotte Mecklenburg Utility Department)-This project will relieve the Town of some industrial waste treatment and free up approx. 100,000 gpd capacity								
COSTS	PLANNING							
	LAND							
	CONSTRUCTION		\$110,000	\$110,000				
	EQUIPMENT							
	TOTAL		\$110,000	\$110,000				
FUNDS	GENERAL REVENUES		\$62,625	\$62,625				
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES		\$47,375	\$47,375				
	SERVICE CHARGES							
COMMENTS The existing sewage treatment plant was not designed for industrial wastes and is currently operating in violation of its N.P.D.E.S. permit								

II-2		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT			Installation of <u>Water Distribution System Loop Line</u> and <u>connection with C-MUD Water System</u> -This project replaces a system which is <u>poorly designed for present needs in Matthews.</u>					
COSTS	PLANNING							
	LAND							
	CONSTRUCTION		\$600,000	\$600,000				
	EQUIPMENT		\$600,000	\$600,000				
	TOTAL							
FUNDS	GENERAL REVENUES		\$100,000	\$100,000				
	BONDS		\$500,000	\$500,000				
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							
COMMENTS			The connection with C-MUD is designed to meet statutory requirements whereby a Town is required to have at least two sources of water. The bonds would be amortized at \$21,000 per year (total annual debt service).					

II-3		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Elimination of Matthews Sewage Treatment Plant - This project connects the Matthews sewage system with the CMUD Four mile Creek Outfall						
COSTS	PLANNING							
	LAND							
	CONSTRUCTION							
	EQUIPMENT							
	TOTAL	\$150,000						\$150,000
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES	\$150,000						\$150,000
	SERVICE CHARGES							
COMMENTS		The above cost is a very rough estimate based on plans in the <u>Wastewater Facilities Plan for Metro Charlotte</u> , 1974. The reserve fund should be capitalized over a four period at \$37,500 per year.						

II-4	Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM					
			1979 - 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84	
PROJECT		Storm Drainage Projects - Provision of storm drainage improvements in needy areas.						
COSTS	PLANNING							
	LAND							
	CONSTRUCTION							
	EQUIPMENT							
	TOTAL	\$5,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
FUNDS	GENERAL REVENUES	\$5,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							
COMMENTS								

PROGRAM:

Transportation

GOAL:

Provide for the safe, convenient, economical and expeditious movement of people and goods as desired by the residents and businesses in Matthews.

CONTRIBUTING DEPARTMENTS:

Street Department - With one full-time employee and part-time help, this department maintains all Town owned streets and sidewalks and right of ways. The department operates one pick up truck, one street sweeper and one tractor with related equipment and occupies garage space in the Town Hall. Construction needs and street lights are provided on a contractual basis.

PROJECTS:

- (III-1) Country Place Sidewalk
- (III-2) Pine Forest Sidewalk
- (III-3) McCloud Street Improvement
- (III-4) Right-of-way Fund

III-1		Transportation	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Construction of a sidewalk from Matthews Elementary School to Country Place Subdivision						
COSTS	PLANNING	\$1,031	\$1,031					
	LAND							
	CONSTRUCTION	\$5,844	\$5,844					
	EQUIPMENT							
	TOTAL	\$6,875	\$6,875					
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID	\$6,875	\$6,875					
	SPECIFIC RESERVES							
	SERVICE CHARGES							
COMMENTS		The above costs reflect 50% of project costs. According to the Town Ordinance (Section 18-3), 50% of costs are assessed abutting property owners.						

III-2		TOTAL	FIVE YEAR PROGRAM				
Transportation			1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Construction of a sidewalk from Matthews Elementary School to Pine Forest Subdivision.					
COSTS	PLANNING	\$1,203	\$1,203				
	LAND						
	CONSTRUCTION	\$6,819	\$6,819				
	EQUIPMENT						
	TOTAL	\$8,022	\$8,022				
FUNDS	GENERAL REVENUES						
	BONDS						
	STATE & FED. AID	\$8,022	\$8,022				
	SPECIFIC RESERVES						
	SERVICE CHARGES						
COMMENTS		Same as III-1					

III-3			FIVE YEAR PROGRAM				
	Transportation	TOTAL	1979 - 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Improvements to McCloud Street behind Depot Shopping Center. This project includes paving approximately 75' of McCloud Street along the railroad tracks.							
COSTS	PLANNING	\$225				\$225	
	LAND						
	CONSTRUCTION	\$1,275				\$1,275	
	EQUIPMENT						
	TOTAL	\$1,500				\$1,500	
FUNDS	GENERAL REVENUES						
	BONDS						
	STATE & FED. AID *	\$1,500				\$1,500	
	SPECIFIC RESERVES						
	SERVICE CHARGES						
COMMENTS * This project should be financed with Powell Bill Funds.							

III-4			FIVE YEAR PROGRAM				
	Transportation	TOTAL	1979 - 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Establishment of a right-of-way fund for future highway projects.							
COSTS	PLANNING						
	LAND						
	CONSTRUCTION						
	EQUIPMENT						
	TOTAL	\$50,000					\$50,000
FUNDS	GENERAL REVENUES						
	BONDS						
	STATE & FED. AID						
	SPECIFIC RESERVES	\$50,000					\$50,000
	SERVICE CHARGES						
COMMENTS This fund should be capitalized at \$10,000 per year.							

PROGRAM:

Leisure Opportunities

GOAL: To support community groups in the provision of leisure time opportunities in Matthews.

CONTRIBUTING DEPARTMENTS:

This program is not administered by any particular department but is operated through the efforts of Town municipal employees and community groups. The Town operates a small neighborhood park in the Pine Forest Subdivision.

PROJECTS:

(IV-1) Mini-Park Improvements

(IV-2) Donation to Matthews Community Club

IV-1		TOTAL	FIVE YEAR PROGRAM				
Leisure Opportunities	1979— 80		1980 - 81	1981 - 82	1982 - 83	1983 - 84	
PROJECT <u>Improvements to Mini Park in Pine Forest Subdivision.</u> This project installs fencing, swings, a sandbox and basketball goals.							
COSTS	PLANNING						
	LAND						
	CONSTRUCTION						
	EQUIPMENT	\$3,805	\$3,805				
	TOTAL	\$3,805	\$3,805				
FUNDS	GENERAL REVENUES	\$3,805	\$3,805				
	BONDS						
	STATE & FED. AID						
	SPECIFIC RESERVES						
	SERVICE CHARGES						
COMMENTS							

IV-2		TOTAL	FIVE YEAR PROGRAM				
Leisure Opportunities	1979— 80		1980 - 81	1981 - 82	1982 - 83	1983 - 84	
PROJECT <u>Donation to Matthews Community Club.</u> The donation to be used as match for a grant to construct a community park on Rippy property.							
COSTS	PLANNING						
	LAND						
	CONSTRUCTION	\$10,000	\$10,000				
	EQUIPMENT						
	TOTAL	\$10,000	\$10,000				
FUNDS	GENERAL REVENUES	\$10,000	\$10,000				
	BONDS						
	STATE & FED. AID						
	SPECIFIC RESERVES						
	SERVICE CHARGES						
COMMENTS							

PROGRAM:

Policy Formulation and Administration

GOAL:

To formulate Town policies, goals and objectives so as to best serve community needs and to administer the Town's programs.

CONTRIBUTING DEPARTMENTS:

Administrative Department - This department which is staffed by two full-time clerical employees assists departmental commissioners in performing administrative functions. The department occupies space in the Town Hall.

PROJECTS:

(V-1) Town Hall Expansion

V-1	Policy Information and Administration	TOTAL	FIVE YEAR PROGRAM				
			1979 - 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT <u>Expansion of Matthews Town Hall.</u> The construction of an addition to the Town Hall including a new, larger meeting room.							
COSTS	PLANNING	\$ 7,500				\$7,500	
	LAND						
	CONSTRUCTION	42,500				\$42,500	
	EQUIPMENT						
	TOTAL	\$50,000				\$50,000	
FUNDS	GENERAL REVENUES						
	BONDS						
	STATE & FED. AID						
	SPECIFIC RESERVES	\$50,000				\$50,000	
	SERVICE CHARGES						
COMMENTS A Town Hall reserve fund should be established in 1980-81 with an annual capitalization of approximately \$16,667 per year. This project can also be financed through a Farmers Home Administration low interest loan program or a general obligation bond.							

UNFINANCED PROGRAM

PROGRAM: Environmental Health and Protection

GOAL: Provision of a clean, healthy environment in which residents of Matthews can live free from the dangers of pollution or contamination from solid, liquid or gaseous waste.

CONTRIBUTING DEPARTMENTS:

Sewer and Water Department: This department operates a 300,000 gpd sewage treatment facility along with a sewage collection and water distribution system.

Street Department: This department is responsible for the maintenance and construction of storm drainage systems.

PROJECTS:

- (II-5) Stratfordshire Water Extension
- (II-6) Stratfordshire Sewer Extension
- (II-7) Industrial Drive Water Extension
- (II-8) Industrial Drive Sewer Extension
- (II-9) Bubbling Well, Courtney Lane, Lakenheath Water Extension
- (II-10) Bubbling Well, Courtney Lane, Lakenheath Water Extension
- (II-11) Crestdale Water Extension
- (II-12) Crestdale Sewer Extension
- (II-13) Water Extension down NC 51 to Independence Boulevard
- (II-14) Sewer Extension down NC 51 to Independence Boulevard

UNFINANCED PROJECTS

The following annexation related projects are classified as "Unfinanced". They are labelled as such because according to the projections herein, there will not be enough capital revenue available to finance all of them. The five areas involved will most likely seek annexation into Matthews within five years. The chances of this happening are particularly favorable in light of the recent and anticipated annexation efforts by Charlotte.

If the sewer and water system is sold to C-MUD, these projects will be of no concern to Matthews. According to legal consultants at the North Carolina Institute of Government, the Town by terminating its provision of such services, would no longer be obligated to extend services to annexation areas. Due to the uncertainty over the future ownership of the system, this study assumes that Matthews will retain ownership. The purpose of this section then is to briefly discuss alternative methods of financing the extension of sewer and water services to annexed subdivisions.

Section 17-8-3 of the Matthews Town Ordinance authorizes the Town to extend sewer and water services to annexed areas. These projects must be financed according to the provisions of Section 17-8-1.c. of the Town Ordinance and G.S. 160A-216-237 of the General Statutes of North Carolina. These statutes allow the Town to finance 75% of the project costs through a front footage special assessment on the affected property. The assessments can be paid in cash or not more than ten (10) annual installments. Under this arrangement, the Town is ultimately responsible for 25% of the project costs but also can act as a lender to property owners. This means that the Town would pay approximately \$367,240 as its 25% share and property owners would be assessed a total of \$1,101,720.

According to the projections developed for this study, the Town could finance its 25% share on a pay-as-you-go basis for all annexation areas. The Town would not be able to finance the other 75% for property owners out of current revenues or reserves. This would necessitate either property owners financing assessments individually or the Town issuing a special assessment revenue, or general obligation bond.

In financing these improvements the Town should consider the following factors: borrowing cost, equity, political feasibility and legal bonding structures. In terms of cost, general obligation bonds usually rank above other alternatives. The question of equity addresses the need for costs to be assessed to those who benefit from the improvements. Special assessment bonds rank high in this respect. General obligation bonds are sometimes the least politically feasible forms of debt to issue because of referendum requirements. Consequently, revenue and special assessment bonds which do not require such elections are desirable in some cases.

These factors and others should all be considered in designing a borrowing strategy for Matthews annexation areas. The most favorable approach might be to issue a general obligation bond with a special assessment payback. This approach would minimize borrowing costs and maximize equity. It may be difficult to obtain politically but could compromise the needs and desires of all involved.

These are a few of the Town's borrowing options as authorized in the General Statutes of North Carolina. The Town should examine the feasibility of these strategies with its attorney and engineer and possibly with the assistance of a 38 financial consultant.

II-5		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of Water Distribution System to Stratfordshire Annexation Area.								
COSTS	PLANNING	\$24,390		\$24,390				
	LAND							
	CONSTRUCTION	\$138,210		\$138,210				
	EQUIPMENT							
	TOTAL	\$162,600		\$162,600				
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-6		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM							
				1979 — 80	1980 — 81	1981 — 82	1982 — 83	1983 — 84			
PROJECT							Extension of Sewage Collection System to Stratfordshire Annexation Area				
COSTS	PLANNING		\$32,340		\$34,340						
	LAND										
	CONSTRUCTION		\$183,260		\$183,260						
	EQUIPMENT										
	TOTAL		\$215,600		\$215,600						
FUNDS	GENERAL REVENUES										
	BONDS										
	STATE & FED. AID										
	SPECIFIC RESERVES										
	SERVICE CHARGES										

II-7		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of water distribution system to the Industrial Drive annexation area.								
COSTS	PLANNING	\$7,920				\$7,920		
	LAND							
	CONSTRUCTION	\$44,880				\$44,880		
	EQUIPMENT							
	TOTAL	\$52,800				\$52,800		
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-8		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Extension of Sewage Collection System to the Industrial Drive Annexation Area						
COSTS	PLANNING	\$16,200				\$16,200		
	LAND							
	CONSTRUCTION	\$91,800				\$91,800		
	EQUIPMENT							
	TOTAL	\$108,000				\$108,000		
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-9		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of Water Distribution System to Bubbling Well, Lakenheath, Courtney Lane Annexation Area								
COSTS	PLANNING	\$28,455					\$28,455	
	LAND							
	CONSTRUCTION	\$161,245					\$161,245	
	EQUIPMENT							
	TOTAL	\$189,700					\$189,700	
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-10		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of Sewage Collection System to Bubbling Well, Lakenheath, Courtney Lane Annexation Area								
COSTS	PLANNING	\$46,080						\$46,080
	LAND							
	CONSTRUCTION	\$261,120						\$261,120
	EQUIPMENT							
	TOTAL	\$307,200						\$307,200
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-11		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of Water distribution System to the Crestdale Annexation Area								
COSTS	PLANNING	\$12,870					\$12,870	
	LAND							
	CONSTRUCTION	\$72,930					\$72,930	
	EQUIPMENT							
	TOTAL	\$85,800					\$85,800	
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-12		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT Extension of Sewage Collection System to the Crestdale Annexation Area								
COSTS	PLANNING	\$22,425					\$22,425	
	LAND							
	CONSTRUCTION							
	EQUIPMENT	\$127,075					\$127,075	
	TOTAL	\$149,500					\$149,500	
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-13		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Extension of Water Distribution to Independence Boulevard. This project extends a 20" water line to properties in the annexation area along N.C. 51 to Independence Boulevard.						
COSTS	PLANNING	\$20,160					\$20,160	
	LAND							
	CONSTRUCTION	\$103,680					\$103,680	
	EQUIPMENT							
	TOTAL	\$123,680					\$123,840	
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

II-14		Environmental Health and Protection	TOTAL	FIVE YEAR PROGRAM				
				1979— 80	1980 - 81	1981 - 82	1982 - 83	1983 - 84
PROJECT		Extension of Sewer Collection System to Independence Boulevard This project extends 8" sewer line to properties abutting N. C. 51 from Crestdale Road to Independence Boulevard						
COSTS	PLANNING	\$11,100						\$11,100
	LAND							
	CONSTRUCTION	\$62,820						\$62,820
	EQUIPMENT							
	TOTAL	\$73,920						\$73,920
FUNDS	GENERAL REVENUES							
	BONDS							
	STATE & FED. AID							
	SPECIFIC RESERVES							
	SERVICE CHARGES							

V RECOMMENDATIONS

The purpose of this CIP study was to provide a framework for more effective financial planning by the Town of Matthews. It outlines a long term public investment plan upon which more rational and informed public decision-making can be made. By following this process, Town decision-makers can guide investments toward the achievement of goals and objectives in a more orderly fashion.

Matthews is currently at a crucial point in its history. A decision must be made regarding future ownership of the Matthews sewer and water system. It is hoped that this report and more importantly the planning process initiated herein will offer some insight as to the best course of action.

By looking at future public revenues and expenditure patterns, Town officials may become more aware of some of the merits and disadvantages of retaining their sewer and water system. The present study is based on the assumption that Matthews will decide to retain ownership and not merge with the Charlotte-Mecklenburg Utility Department (C-MUD). Three major recommendations have been delineated as a result of this study. They relate to financing annexation, a body to administer the CIP planning process, and capital reserve funds.

According to the revenue projections and cost estimates developed and reported herein, the Town of Matthews should be able to finance its share of improvements in potential annexation areas. This finding is based on the present financing approach outlined in the Town Ordinance and the willingness of the Town to float a revenue or special assessment bond to cover the portion of costs to be borne by property owners. The Crestdale annexation area is the only area which may receive federal assistance in extending sewer and water services. A study of the Crestdale area is currently being undertaken to assess the municipal service needs there.

The second recommendation is organizational in nature. The continuity of the CIP process has been emphasized throughout this study. In order to carry out this project on an annual basis Matthews should establish a capital programming committee composed of selected Departmental Commissioners and selected members of the Planning Board. This recommendation is elaborated on in Appendix B.

Finally, the last recommendation concerns the use of the capital reserve fund. The Town currently has a capital reserve fund, but it is not used to reserve funds for future projects. Since one of the principal objectives of the CIP effort is to even out capital expenditures to a more uniform level, the capital reserve fund as part of a "pay-as-you-go" financing approach is an appropriate tool.

At least three future projects are large enough that they could exert some strain on the operating budget if financed from current revenues - the Town Hall expansion, the Four Mile Creek Outfall, and the highway rights-of-way fund. For this reason, these projects should be financed to the extent possible through savings reserved in advance for that purpose. The balance of each fund and interest accrued should then be documented through normal accounting procedures.

With these techniques, Matthews will be better able to maintain a "pay-as-you-go" financing approach. This finance strategy is the Town's traditional approach and was adhered to the maximum extent possible in the development of this CIP. The only projects requiring debt financing are sewer and water projects.

This study and the results reported herein are intended to serve as an aide to the Town of Matthews in establishing an effective financial management

tool. If followed, the process and suggestions introduced here will allow Town officials to achieve a desired balance between resources and capital and operating needs.

APPENDIX A

REVENUE AND EXPENDITURE PROJECTIONS METHODOLOGY

This appendix is included in order to more completely document the CIP financial analysis of the Town of Matthews. The primary objective of this type of financial analysis is to identify and quantify factors influencing revenues and expenditures. This information is then used to make projections.

The principal sources of data for this analysis were the Town of Matthews Audited Financial Statements, 1973-1978. The study period began with the fiscal year 1972-1973 and ended with 1977-1978.

Analysis of Revenue and Expenditure Trends

General Fund Revenue

The first step taken in analyzing revenues was to examine growth rates. To accomplish this, revenues were categorically examined according to governmental source (local, state, federal) and individually (Powell Bill, property tax, etc.) This allowed the examiner to identify trends in various types of revenue and to determine their importance as a portion of total revenues. The results of this step are displayed in Table A-1 and in Figure 1 (page 7).

TABLE A-1
GENERAL GOVERNMENTAL
REVENUE GROWTH RATES

SOURCE	1972-1973- 1977-1978	1975-1976- 1977-1978
Property Tax	32.6%	6.3%
Utility Franchise Tax	27.4	25.9
Intangible Property Tax	28.7	26.3
Beer & Wine Tax	17.0	-0.3
Powell Bill	11.8	0.03
Sales Tax	36.2	26.8
ABC	-1.8	0.0
Revenue Sharing	26.8	49.2
Other	26.1	11.3
Total Local ^a	31.5%	14.6%
Total State ^b	19.3	12.1
Total Federal ^c	26.8	49.2

^aProperty Tax and Other

^bUtility Franchise Tax, Intangible Property Tax, Beer and Wine Tax, Powell Bill, Sales Tax, ABC.

^cRevenue Sharing.

After identifying overall trends, it is important to determine the underlying causes of these trends. This is very difficult to quantify with limited data. A general explanation of changes can be obtained by relating growth or decline in a particular revenue to allocation or other influential factors, e.g. population, local sales receipts, etc.

Without becoming too involved in a detailed discussion, some of the results of the examination are discussed here. As Table A-1 indicates, federal and locally derived revenues have increased most rapidly in recent years. Population increases and rising property tax collections have accounted for both of these trends. State funds distributed to Matthews have declined relatively over the period as their overall growth rate dropped from 19.3% to 12.1%.

In terms of individual revenue sources, while the ad valorem property tax has dominated the Matthews fiscal picture for the past decade, its importance has increased substantially in the past six years. Due to a combination of recent annexations, revaluation, and natural growth of the town's economic base, property taxes levied have increased by 309.9% or 32.6% per year since 1973-1974. This growth can be primarily attributed to the ability of Matthews to annex rapidly expanding industries.

The natural growth rate of property taxes levied in Matthews, ie., growth excluding annexation and revaluation, during the past five years was approximately 7%. This compares with a population growth rate of 5%. So, the impact of industrial activities in annexed areas on tax collections has been dramatic.

State, sales and utility tax revenues have risen rapidly and in 1977-78 accounted for 31.7% of the Matthews general fund revenue. While the ABC and Powell Bill revenues accounted for 12.4% of the 1977-78 revenue, their importance declined over the 5 year period. Intangible and Beer and Wine Tax revenues accounted for only 3.6%.

So, Matthews has a rapidly increasing tax base but locally generated general government revenues support less than half of the services.

General Fund Expenditures

The same basic approach discussed above was followed in the examination of expenditures. Growth rates of individual departments, ie., administrative, streets, police, sanitation and miscellaneous were computed. Also, the changes in each departmental expenditure as a proportion of total expenditures were computed. The results can be found in Table A-2.

An analysis of the changes in component expenditures, ie., personnel, materials and supplies, and equipment, can provide more detailed information concerning trends in expenditures. From all of this, a list of factors affecting costs can be assembled and in some cases quantified. Because of limited data this step was performed in a rather brief manner in this study.

Some of the more important findings of this step merit discussion here. Total expenditures have increased over the past five years by 159% or 21% per year. The greatest portion of that increase was registered by the administrative section. Operating expenditures for the Police Department constitute the largest budgetary item on the expenditure side but along with streets have experienced relative decline over the last five years. Expenditures on sanitation rose dramatically over the study period.

TABLE A-2
GENERAL GOVERNMENTAL
EXPENDITURES GROWTH RATES

DEPARTMENT	1972-1973- 1977-1978	1975-1976- 1977-1978
Administration	20.0%	5.2%
Police	7.1	8.7
Streets	13.9	16.7
Sanitation	26.7	4.1

As discussed earlier, due to limited data, it is difficult to determine any relationship between residential, commercial and industrial growth and municipal expenditures. Only in the case of sanitation is any such direct relationship discernible. Recent annexations have obviously inflated the level of spending.

After examining revenues and expenditures, it is important to compare the growth or decline of the two revenues (Powell Bill) with regulated spending requirements are compared with items upon which they must be spent. All of this information forms an information base upon which projections can be made.

In comparatively evaluating revenues and expenditures in Matthews, it was found that the gap between revenue and expenditure curves has increased in recent years. As stated earlier in Section III, the overall growth rate of revenues is almost double that of expenditures. Thus, Matthews has generated revenues at a rate far exceeding that of spending for services.

Analysis of Sewer and Water Revenues and Expenditures

In terms of methodology, the same basic approach mentioned above was followed for sewer and water revenues and expenditures. The results of calculations are discussed and displayed below.

Sewer and Water Revenue

The revenue analysis determined that sewer and water service fees make up the majority of that department's revenue. This source has grown by an average of 16.9% per year throughout the seventies. These fees have enabled the department to meet its operating costs but were unable to cover the costs of system expansion. Large outlays for lines and equipment have been covered primarily through general fund transfers.

TABLE A-3
SEWER AND WATER
REVENUES GROWTH RATES

SOURCE	1972-1973- 1977-1978	1975-1976- 1977-1978
Service	16.9%	22.2%
Taps	31.1	116.7
Plumbing Inspection	8.9	20.7
Other	11.7	46.4

Sewer and Water Expenditures

Plant operations expenditures account for the greatest share of sewer and water costs. They have grown by an average of 28.8% per year since 1972. New industrial service and residential service demands have accounted for much of this growth although the increasing cost of personnel and supplies has contributed significantly. Also, administrative costs have risen by 26% a year and indirect costs by 18% per year. Thus, while revenues are increasing at 12.1% per year, the two largest component costs are growing at a considerably faster pace. The Town spent an average of \$15,466 in capital outlays on new lines between 1972 and 1978. Of these outlays, approximately 51% of the funding came from general fund subsidies. Since 1972, \$56,038 have been transferred to the sewer and water and/or capital fund for the purpose of expanding sewer and water service.

TABLE A-4
SEWER AND WATER
OPERATING EXPENDITURE GROWTH RATES

FUNCTION	1972-1973- 1977-1978	1975-1976- 1977-1978
Administration	24.1%	27.6%
Plant	25.8	28.3

Projections

Having analyzed recent spending patterns, a more accurate projection of future revenues and expenditures was made. The projections shown in this report are based on growth within the existing geographic boundaries of Matthews. The influence of any annexation upon the Matthews' budget can be determined by adding on figures obtained in the Matthews Annexation Study, 1978 as shown in Schedule 3.

In order to increase the value of these projections, two scenarios were developed. One scenario is based on the assumption that growth in Matthews has peaked and will drop off slightly over the next five years. This moderate growth scenario is accompanied by an increased growth scenario. The latter scenario is based on the assumption that the pace of growth of the Matthews industrial base will pick up slightly over the CIP period. This increase amplifies an already rapidly growing local economy. This growth will occur primarily in existing firms rather than new locations. In both scenarios, commercial and residential development accounts for a smaller portion of the growth.

General Governmental Revenues

The revenue projections were prepared with the assumption that the Matthews tax rate remains at its present rate of \$0.30 per \$100 valuation. Local property taxes will continue to dominate the revenue picture as tax base growth occurs for the reasons discussed above. In Matthews this growth is more related to industrial expansion than population growth. Fees, fines, interest and miscellaneous local revenues have been projected at rate generally consistent with past trends.

Intergovernmental transfers (State and Federal funds) are allocated according to a number of factors. Those closely related to population growth can be expected to grow at a rate approximating that of the population growth. This applies primarily to the State sales tax and Powell Bill funds. These, of course, are influenced also by other factors, such as, statewide patterns of retail and gasoline consumption. Other sources, such as, the Beer and Wine tax and ABC refunds are tied more to local growth in personal income and spending patterns. Utility Franchise Tax revenues are based on local utility receipts. Federally funded general revenue sharing is based on a complex formula including tax effort and population growth.

Using these facts, slight adjustments were made to least square extrapolations of past revenue patterns. The results of the two sets of projections are found in Tables 1 and 2. Revenue growth in the two scenarios ranges from 4.0 to 6.2% per year. While property tax collections will continue to dominate, that largest relative gains should be found in the utility franchise, sales, and intangibles tax funds. These funds are closely related to inflation and the economy. State transfers should grow by 5.1 to 7.3% per year. Local taxes are projected to increase by 2.8 to 5.0% per year. Revenue sharing may increase by as much as 3.4 to 5.7% per year. Figure 2 charts the growth of these revenues geographically.

It should be noted that these figures do not reflect property revaluation which must legally occur by 1983. Property revaluation could add another \$70,000 to \$80,000 to the Matthews general fund that year. This was calculated assuming assessed property values appreciate at approximately 6.5% per year.

Once again, caution should be used in strictly adhering to these figures. They represent a range in which revenues may fall based on past records. There are a number of external factors which are capable of causing large discrepancies between these projections and actual figures. For example, a national and statewide recession or economic slowdown is not incorporated in these projections and could drastically alter revenues by 10 to 15%.

General Governmental Expenditures

Expenditures are considerably more difficult to project than revenues because they do not always increase in small increments. For instance, personnel and equipment additions occur in large increments rather than in small increments closely related to population growth.

In this case, large additions (personnel and equipment) due to a larger service base are assumed not to occur, i.e., the existing staff level can provide the present level of services to the town. Only in the police department was an additional full-time position added. This personnel addition was made in 1980-1981.

In general, all departments should experience operations spending increases exceeding those of revenues. This reverses a trend of the past three years. However, if industrial and population increases, expansion begin to level off during later stages of the CIP this could be a reality. Inflationary pressures should show their effect in all phases of public operating expenditures, eg., personnel, materials and supplies and contractual services.

The planning process initiated with the development of this document is not an occasional activity but an annual one. It should occur with the same regularity of the development of the Town's operating budget. Because of the importance of this activity, this appendix is included to suggest a framework within which to organize and operate it. The suggestions include the timing and procedure, the organizational mechanism by which CIP activities are directed, and the roles of various public bodies.

Timing and Procedure

The Matthews capital programming and budgetary process should have three steps: planning, budgeting and implementation. The planning stage involves the development of the capital improvements program and the projection of revenues available for capital outlays. This stage should begin about two months prior to the normal budget formulation period.

The budget stage occurs concurrently with the development of the operating budget. It involves evaluation, financing and approval of projects in the first year of the CIP.

The implementation stage refers to the actual construction or purchase of land or equipment. This period would generally consist of the entire fiscal year used by Matthews government.

Organizational Mechanism

At present, the Matthews governmental structure has no units which are totally suitable for carrying out the CIP process. For this reason, the Board of Commissioners should establish a public body to oversee the process.

There are a number of alternatives to consider, however, the most appropriate is probably a joint committee composed of selected members of the Planning Board and selected Departmental Commissioners. The size of the committee should be limited to four (4) with two (2) members of the Planning Board and two (2) Commissioners. The Commissioners responsible for the two governmental services most heavily involved in capital outlays would be ideal for involvement.

The chief responsibilities of this capital improvements committee would be: (1) to solicit project requests for all governmental functions involved in capital outlays, (2) to assist departmental commissioners in prioritizing projects, (3) to obtain or prepare revenue and operating expenditure projections, and (4) to submit the CIP document to the Planning Board and Board of Commissioners for action.

Roles of Existing Public Bodies and Personnel

The capital improvements committee as stated above serves as the program coordinating body. Their activities will be supported by those of the Planning Board, Departmental Commissioners and the full Board of Commissioners.

The Planning Board in its role as a regulator of development and articulator of local goals and development guidelines is a good position to review the CIP in this context. This review should evaluate the CIP for compliance with long-term development goals and objectives.

Comments made by this Board should be attached to the CIP and the two submitted to the Board of Commissioners for final action. The legislative body has final responsibility for program action.

Various Town personnel, e.g., the Town Clerk, Police Chief, will be involved in the project formulation and request stage. The Clerk will also provide data and participate in the financial analysis. Consultants may also be involved to fill technical deficiencies where needed, e.g., engineering, legal issues, planning, etc.

Capital improvements programming is most successful when it has been made mandatory. The Mayor should assign specific responsibilities for annual preparation of the program, establish general policy and procedures to be followed, and provide a schedule for completion of various stages. A formal capital programming and budgeting might be developed and adopted as Town policy.

